

TOWN OF MANSFIELD  
FINANCE COMMITTEE MEETING

Monday, July 16, 2012

Audrey P. Beck Building  
Conference Room B  
**4:00pm**

A G E N D A

1. Call to order
2. Approval of minutes for June 11, 2012 Meeting
3. Opportunity for Public Comment
4. Financial Management Policies discussion
5. S. Eagleville Walkway Project – Bond Authorization
6. \$3 Mil. Developer Party (EDR) Infrastructure/Tax Abatement
7. Other Business/Future Agenda Items
8. Adjournment

TOWN OF MANSFIELD  
FINANCE COMMITTEE MEETING  
MINUTES OF JUNE 11, 2012

Members Present: W. Ryan and C. Schaefer

Other Council Members Present: David Freudmann

Staff Present: C. Trahan

Guests: none

Meeting called to order at 6:11pm.

1. Minutes from 05/14/12 meeting approved as presented.

Opportunity for Public Comment - none

2. The Committee discussed the proposed Capital Improvement Program adjustments. Cherie Trahan reviewed her memo to Matt Hart regarding closing 3 projects and appropriating grant and local funding projects. Two projects were completed under budget resulting in \$11,513 going back into the Capital and Non-recurring Fund.
3. The Committee discussed the option of sending the approved 11/12 CIP Four Corners Sewer Design & Permitting project for bond authorization to town meeting. Per the Charter, the Town Council can authorize, following Town Council and Town Meeting approval, the issuance of up to 1% of the budget for bonding. A proposed timeline was also included in the discussion.
4. Cherie reviewed a DRAFT Fund Balance Policy and a DRAFT Investment Policy. Cherie will continue to work on these policies, including reviewing the policies with our auditing firm. Cherie will also ask the firm to provide clarification of "Committed Fund Balance". The Committee will continue to discuss at the next meeting.
5. Adjournment. The meeting adjourned at 7:02pm.

Motions:

Motion to approve the May 14, 2012 minutes by Carl Schaefer. Seconded by Bill Ryan.

Motion so passed.

Motion to recommend approval of the proposed CIP adjustments by Bill Ryan. Seconded by Carl Schaefer. Motion so passed.

Motion to recommend presenting the Four Corners project for bond approval at Town Meeting in September, 2012 by Carl Schaefer. Seconded by Bill Ryan. Motion so passed.

Motion to adjourn.

Respectfully Submitted,  
Cherie Trahan  
Director of Finance

## FUND BALANCE POLICY

### ***Purpose***

The purpose of this policy is to set guidelines for fund balance to ensure financial security through the maintenance of a healthy reserve fund. The primary objective is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures. The Town also seeks to maintain the highest possible credit ratings which are dependent, in part, on the Town's maintenance of a healthy fund balance.

### ***General Policy***

The following fund type definitions will be used in reporting activity in the governmental funds for the Town:

- General Fund is used to account for all financial resources not accounted for and reported in another fund.
- Special revenue funds are used to account and report the proceeds of *specific revenue sources* that are *restricted* or *committed* to expenditure for *specific purposes* other than debt service or capital projects.
- Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.
- Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.
- Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's needs.

Fund Balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the Town is bound to honor constraints on the specific purpose for which amounts can be spent.

- Nonspendable fund balance (inherently nonspendable, i.e. inventory)
- Restricted fund balance (externally enforceable limitations on use, i.e. grants)
- Committed fund balance (self-imposed limitations on use)
- Assigned fund balance (limitation resulting from intended use)
- Unassigned fund balance (residual net resources)

The first two components listed above are not addressed in this policy due to the nature of their restrictions. This policy is focused on the last three components comprising the unrestricted fund balance.

## ***Provisions***

The Town will strive to maintain an unrestricted fund balance of seventeen (17) percent of the General Fund operating budget, with up to two (2) percent of the General Fund operating budget accounted for in unrestricted fund balance of other governmental funds. Any year-end operating surpluses will revert to unassigned fund balance for use in maintaining reserve levels.

1. Committed Fund Balance

The Town Council, as the Town's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by the formal actions taken, such a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specific use through the same type of formal action taken to establish the commitment. Town Council action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30<sup>th</sup>; however, the amount can be determined subsequent to the release of the financial statements.

2. Assigned Fund Balance

Assigned Fund Balance includes amounts *intended* to be used for a specific purpose. The Finance Director is the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy for the purpose of reporting these amounts in the annual financial statements. The primary use of this category for the General Fund is open encumbrances.

3. Unassigned Fund Balance

This is the residual classification of the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

If the unrestricted fund balance falls below the goal or has a deficiency, the Town will develop a budgetary plan to return the reserve to the minimum level as soon as economic conditions allow. Revenue sources that will be considered to aid in the replenishment of fund balance will include but not be limited to: non-recurring revenues and yearend budget surpluses. The budgetary plan shall also identify the target timeframe, including milestones until reaching full replenishment.

Effective Date:

Approved Date:

## INVESTMENT POLICY

### *Purpose*

The purpose of this policy is to establish guidelines for the investment of operating, capital and non-recurring funds. The Town recognizes that effective cash management is an integral component of good financial management.

### *General Policy*

It is the policy of the Town to invest public funds in a manner that will provide safety of principal, obtain a market rate of return, meet the daily cash flow demands of the Town and conform to all State and local laws governing the investment of public funds.

Investments shall be made in accordance with the following principles in order of priority:

1. Safety – Investments shall be undertaken in a manner that seeks to ensure the preservation of principal above all else.
2. Liquidity – Investments shall remain sufficiently liquid to meet all operating requirements that may be reasonable anticipated.
3. Yield – Investments shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to safety and liquidity.

### *Provisions*

1. Investments must be made in security authorized by CGS 3-27f or CGS 7-401-402 which include U.S. government obligations, U.S. government agency obligations and U.S. government instrumentality obligations, indirect investment in U.S. government and agency securities through the purchase of share in a custodial arrangement, pool or trust, State Treasurer's Investment Fund, repurchase agreements, certificates of deposits and money market mutual funds.
2. Investments will be made in an effort to match investments with anticipated cash flow requirements.
3. Where permissible by law, cash from separate funds and sources will be pooled to maximize investment yields. Interest will be credited to the General Fund except when prohibited by law. Interest on cash held in the Capital Non-recurring Fund or Capital Fund, will be credited to the Capital Non-recurring Fund.
4. An effort to diversify investments will be made to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual issuers or maturities. The Town shall only do business with qualified public depositories.

### ***Delegation of Authority***

The Director of Finance or Treasurer (as appointed by the Director of Finance pursuant to section 506B(1) of the Town Charter) is responsible for investment decisions and activities, under the direction of the Town Manager. These individuals will fall under the normal bonding requirements of the Town.

### ***Prudence***

All participants in the investment process shall seek to act responsibly as custodians of public funds. The standard of prudence to be used by investment officials shall be the "prudent investor" rule, which states, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The prudent investor rule shall be applied in the context of managing the entire portfolio.

### ***Ethics and Conflicts of Interest***

Rules and procedures promulgated by the Director of Finance shall be designed in the best interest of the Town and its citizens, and shall not afford special financial advantage to any individual or corporate member of the financial investment community.

### ***Internal Controls***

The Director of Finance shall establish a system of internal controls, which shall be reviewed annually by an independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions. Investments shall be done on a pooled funds basis with interest allocated on a cash balance method.

Effective Date:

Approved Date:

Finance Committee Meeting

July 16, 2012

Bond Authorizations

Authorized but Unissued 2011/12 CIP:

Large Dump Truck	\$150,000	
Small Dump Truck	\$ 45,000	
Ambulance	<u>\$210,000</u>	
Total	\$405,000	August, 2011 authoriz.

Approved projects needing bond authorization:

Four Corners Sewer Design & Permitting	\$350,000	
South Eagleville Walkway	<u>\$400,000</u>	
Total	\$750,000	Nov, 2011 passed at referendum, but did not meet the 15% threshold

Council followed by Town Meeting can authorize up to 1% of the budget = \$450,000

Council followed by Referendum for an aggregate over 1%

6-12-12

After recording, return to:  
Education Realty Trust, Inc.  
530 Oak Court Drive, Suite 300  
Memphis, TN 38117  
Attn: Thomas Trubiana

TAX ASSESSMENT FIXING AGREEMENT  
PHASE 1A

THIS TAX ASSESSMENT FIXING AGREEMENT (this "Agreement") is entered into as of December \_\_, 2010, by and between the Town of Mansfield, a municipal corporation organized under the laws of the State of Connecticut, acting herein by Matthew W. Hart, its duly authorized Town Manager (the "Town") and Education Realty Trust, Inc., a Maryland corporation ("EDR").

WITNESSETH:

WHEREAS, EDR and the Town, *inter alia*, have entered into a Development Agreement dated of even date herewith (the "Development Agreement") pursuant to which EDR or its affiliate and Storrs Center Alliance, LLC or its affiliate plan to construct certain mixed-use improvements within Phase 1A of Storrs Center (as described in the Development Agreement), and following completion of which EDR or its affiliate intends to acquire fee title to the Residential Component of the Phase 1A Private Improvements, together with an undivided interest in the land appurtenant thereto (the "Phase 1A Residential Property"), which is more particularly described on Exhibit A attached hereto and made a part hereof;

WHEREAS, §12-65b of the Connecticut General Statutes provides a method for the Town to supply financial incentives to EDR to construct the Residential Component of Phase 1A, providing it has a value of at least \$3,000,000, by agreeing to fix the assessment of the Phase 1A Residential Property for a period of seven years, at a value below the value at which such real property would be assessed in the normal course pursuant to State and local laws and ordinances;

WHEREAS, EDR has confirmed that the Residential Component of Phase 1A shall have a value in excess of \$3,000,000 and the Town is willing to fix such assessment in accordance with the terms hereof in exchange for the performance of the obligations of EDR or its affiliate with respect to the construction of the Residential Component of Phase 1A and the Developer Party Infrastructure and the payment of the Developer Party Infrastructure Contribution and EDR's portion of the Transit Pathway Matching Funds, all as described in the Development Agreement.

NOW THEREFORE, in consideration of the mutual promises contained herein, the parties hereto agree as follows:

1. The Recitals are incorporated herein. Terms not defined herein shall have the meanings ascribed thereto in the Development Agreement.

2. The Phase 1A Private Improvements shall be constructed substantially as provided in the Development Agreement. The Developer Party Infrastructure shall be constructed substantially as provided in the Development Agreement, or otherwise as may be approved by the Town, such approval not to be unreasonably withheld or delayed.

3. For the purposes of this Agreement, the fixed assessment period for the Phase 1A Residential Property shall be for a period of seven (7) consecutive fiscal years commencing with the fiscal year of the Town for which a tax list is prepared on the October 1 immediately following the issuance of a certificate of occupancy for such property and the creation of the Phase 1A Residential Property as a separately assessable parcel of real property (such period is referred to herein as the "Fixed Assessment Period"); provided, however, that notwithstanding anything to the contrary contained herein, the Fixed Assessment Period shall not commence prior to the date on which the Developer Party Infrastructure has been substantially completed, the Developer Party Infrastructure Contribution has been paid and EDR's portion of the Transit Pathway Matching Funds has been paid, or security for the completion and payment thereof has been provided to the Town in form and substance approved by the Town, such approval not to be unreasonably withheld or delayed. The assessment of all of the Phase 1A Residential Property for the periods prior to and subsequent to the Fixed Assessment Period shall be determined in the normal course pursuant to state and local laws and ordinances.

4. Subject to the limitations of Sections 3 and 5 hereof, the assessment of the Phase 1A Residential Property shall be fixed during each fiscal year of the Fixed Assessment Period for such property in such an amount and manner as to yield real property taxes for the fiscal year controlled by such assessment equal to the positive balance, if any, of (a) an amount equal to the real property taxes that would be due and payable on the Phase 1A Residential Property for such fiscal year if this Tax Incentive Agreement did not apply, less (b) the amount specified for such fiscal year in the following table:

FISCAL YEAR 1	FISCAL YEAR 2	FISCAL YEAR 3	FISCAL YEAR 4	FISCAL YEAR 5	FISCAL YEAR 6	FISCAL YEAR 7
\$321,000	\$339,000	\$331,000	\$284,000	\$273,000	\$261,000	\$248,000

5. The total benefit provided under this Agreement is \$2,057,000. Each assessment of the Phase 1A Residential Property during the Fixed Assessment Period shall be made by the Town in the normal course, subject to the maximum assessment set forth in this Agreement, and EDR shall make payments of real property taxes assessed under this Agreement on a semi-annual basis in accordance with applicable law.

Phase  
1A

\*  
C/O

After recording, return to:  
 Education Realty Trust, Inc.  
 530 Oak Court Drive, Suite 300  
 Memphis, TN 38117  
 Attn: Thomas Trubiana

# TAX ASSESSMENT FIXING AGREEMENT PHASE 1B

THIS TAX ASSESSMENT FIXING AGREEMENT (this "Agreement") is entered into as of December \_\_, 2010, by and between the Town of Mansfield, a municipal corporation organized under the laws of the State of Connecticut, acting herein by Matthew W. Hart, its duly authorized Town Manager (the "Town") and Education Realty Trust, Inc., a Maryland corporation ("EDR").

## WITNESSETH:

WHEREAS, EDR and the Town, *inter alia*, have entered into a Development Agreement dated of even date herewith (the "Development Agreement") pursuant to which EDR or its affiliate and Storrs Center Alliance, LLC or its affiliate plan to construct certain mixed-use improvements within Phase 1B of Storrs Center (as described in the Development Agreement), and following completion of which EDR or its affiliate intends to acquire fee title to the Residential Component of the Phase 1B Private Improvements, together with an undivided interest in the land appurtenant thereto (the "Phase 1B Residential Property"), which is more particularly described on Exhibit A attached hereto and made a part hereof;

WHEREAS, §12-65b of the Connecticut General Statutes provides a method for the Town to supply financial incentives to EDR to construct the Residential Component of Phase 1B, providing it has a value of at least \$3,000,000, by agreeing to fix the assessment of the Phase 1B Residential Property for a period of seven years, at a value below the value at which such real property would be assessed in the normal course pursuant to State and local laws and ordinances;

WHEREAS, EDR has confirmed that the Residential Component of Phase 1B shall have a value in excess of \$3,000,000 and the Town is willing to fix such assessment in accordance with the terms hereof in exchange for the performance of the obligations of EDR or its affiliate with respect to the construction of the Residential Component of Phase 1B and the Developer Party Infrastructure and the payment of the Developer Party Infrastructure Contribution and EDR's portion of the Transit Pathway Matching Funds, all as described in the Development Agreement.

NOW THEREFORE, in consideration of the mutual promises contained herein, the parties hereto agree as follows:

1. The Recitals are incorporated herein. Terms not defined herein shall have the meanings ascribed thereto in the Development Agreement.

2. The Phase 1B Private Improvements shall be constructed substantially as provided in the Development Agreement. The Developer Party Infrastructure shall be constructed substantially as provided in the Development Agreement, or otherwise as may be approved by the Town, such approval not to be unreasonably withheld or delayed.
3. For the purposes of this Agreement, the fixed assessment period for the Phase 1B Residential Property shall be for a period of seven (7) consecutive fiscal years commencing with the fiscal year of the Town for which a tax list is prepared on the October 1 immediately following the issuance of a certificate of occupancy for such property and the creation of the Phase 1B Residential Property as a separately assessable parcel of real property (such period is referred to herein as the "Fixed Assessment Period"); provided, however, that notwithstanding anything to the contrary contained herein, the Fixed Assessment Period shall not commence prior to the date on which the Developer Party Infrastructure has been substantially completed, the Developer Party Infrastructure Contribution has been paid and EDR's portion of the Transit Pathway Matching Funds has been paid, or security for the completion and payment thereof has been provided to the Town in form and substance approved by the Town, such approval not to be unreasonably withheld or delayed. The assessment of all of the Phase 1B Residential Property for the periods prior to and subsequent to the Fixed Assessment Period shall be determined in the normal course pursuant to state and local laws and ordinances.
4. Subject to the limitations of Sections 3 and 5 hereof, the assessment of the Phase 1B Residential Property shall be fixed during each fiscal year of the Fixed Assessment Period for such property in such an amount and manner as to yield real property taxes for the fiscal year controlled by such assessment equal to the positive balance, if any, of (a) an amount equal to the real property taxes that would be due and payable on the Phase 1B Residential Property for such fiscal year if this Tax Incentive Agreement did not apply, less (b) the amount specified for such fiscal year in the following table:

FISCAL YEAR 1	FISCAL YEAR 2	FISCAL YEAR 3	FISCAL YEAR 4	FISCAL YEAR 5	FISCAL YEAR 6	FISCAL YEAR 7
\$376,000	\$397,000	\$387,000	\$333,000	\$320,000	\$306,000	\$291,000

Phase  
1B

5. The total benefit provided under this Agreement is \$2,410,000. Each assessment of the Phase 1B Residential Property during the Fixed Assessment Period shall be made by the Town in the normal course, subject to the maximum assessment set forth in this Agreement, and EDR shall make payments of real property taxes assessed under this Agreement on a semi-annual basis in accordance with applicable law.

Storrs Center - Proposed Fixed Abatement

Fiscal Year	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
<b>Developer Benefits</b>										
<b>Phase 1A</b>										
Residential Real Estate Tax Revenues	\$84,000	\$347,000	\$357,000	\$368,000	\$379,000	\$390,000	\$402,000	\$414,000	\$426,000	\$439,000
Proposed Abatement Schedule	0%	92%	95%	90%	75%	70%	65%	60%	0%	0%
Proposed Abatement	\$0	\$21,000	\$535,000	\$331,000	\$284,000	\$273,000	\$261,000	\$248,000	\$0	\$0
<b>Phase 1B</b>										
Residential Real Estate Tax Revenues	\$0	\$98,000	\$405,000	\$415,000	\$431,000	\$443,000	\$457,000	\$470,000	\$485,000	\$499,000
Proposed Abatement Schedule	0%	0%	90%	95%	90%	75%	70%	65%	60%	0%
Proposed Abatement	\$0	\$0	\$375,000	\$397,000	\$387,000	\$333,000	\$320,000	\$309,000	\$291,000	\$0
<b>PV of 1A Abatement (@ 8%)</b>										
PV of 1B Abatement (@ 8%)	\$1,439,000	\$1,262,411	\$1,048,557	\$20,435,492	\$21,048,557	\$21,880,014	\$22,330,414	\$23,000,328	\$23,890,336	\$24,401,046
Total Developer Benefits	\$3,000,000	\$3,272,740	\$3,888,198	\$13,888,198	\$14,304,844	\$15,176,009	\$15,631,290	\$16,100,228	\$16,583,235	\$17,080,732
<b>Effective Assessment</b>										
<b>Phase 1A</b>										
Residential Rental Market Value (Estimate)	\$4,675,343	\$19,262,411	\$19,840,284	\$20,435,492	\$21,048,557	\$21,880,014	\$22,330,414	\$23,000,328	\$23,890,336	\$24,401,046
Equalization Ratio	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Residential Rental Assessed Value (Estimate)	\$3,272,740	\$13,483,608	\$13,888,198	\$14,304,844	\$14,733,990	\$15,176,009	\$15,631,290	\$16,100,228	\$16,583,235	\$17,080,732
Effective Assessment Schedule	100%	7%	5%	10%	25%	30%	35%	40%	100%	100%
Effective Assessment	\$3,273,000	\$998,000	\$694,000	\$1,430,000	\$3,583,000	\$4,553,000	\$5,471,000	\$8,440,000	\$16,583,000	\$17,081,000
<b>Phase 1B</b>										
Residential Rental Market Value (Estimate)	\$0	\$5,472,936	\$22,548,498	\$23,224,953	\$23,921,702	\$24,539,353	\$25,378,533	\$26,139,889	\$26,924,086	\$27,731,809
Equalization Ratio	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Residential Rental Assessed Value (Estimate)	\$0	\$3,831,056	\$15,783,949	\$16,257,467	\$16,745,191	\$17,247,547	\$17,764,873	\$18,297,923	\$18,846,860	\$19,412,266
Effective Assessment Schedule	100%	100%	7%	5%	10%	25%	30%	35%	40%	100%
Effective Assessment	\$0	\$3,831,000	\$1,168,000	\$813,000	\$1,675,000	\$4,312,000	\$5,329,000	\$8,404,000	\$7,539,000	\$19,412,000

Source: AECOM